



Committed to the future of rural communities.



ILLINOIS GUARANTEED NEWS Feb/March 2006



Our delima is that we hate change, and love it at the same time; what we want is for things to remain the same but get better. — Sydney Harris

Déjà vu: **NEW & IMPROVED** Appraisal and Inspection Guidelines

There have been significant changes to the recently issued guidance regarding acceptable appraisal formats for Guaranteed Rural Development loans.

Rural Development's required inspection has now been incorporated into the URAR (1004), **AND** can be performed by any third party that the lender deems qualified.

A lender may deem someone qualified that is a:

- **FHA roster appraiser or**
- **Certified General Real Estate Appraiser (153) familiar with HUD Handbook 4150.2 or**
- **Certified Residential Real Estate Appraiser (156) familiar with HUD Handbook 4150.2**

Lenders need to have non-FHA roster appraisers note that the dwelling meets HUD Handbook 4150.2 to document compliance with this requirement. One suggested area for this comment would be on page 3 of the 1004 in the "Additional Comments" section.

Cost Approach and Site Value

The cost approach is required by 1980.334(b)(1) **only** when the dwelling is less than one year old **or** the appraiser believes that the cost approach is needed as an indicator of value.

In all other cases, only the site value is required to be documented so that a modest site determination can be made as required by 1980.313(e).

Estimated Remaining Economic Life is not required by Rural Development when the cost approach is not completed.

**New program enhancements make 100% Guaranteed Rural Development financing easier than ever!
Make 100% Guaranteed financing your **FIRST CHOICE** in affordable lending!**



Appraiser & Inspector Footnote



Please realize that the appraiser or home inspector that may view the home will note any and all deficiencies, repair needs, and improvements that they observe. These professionals are making a good faith effort to disclose all necessary information to the lender and the buyer.

It is the HOMEBUYER'S responsibility to be an informed buyer. Homebuyers have every right to carefully examine the systems and structure of their potential new home. A home inspection is a smart investment to protect against expensive repairs. If a homebuyer has obtained a state licensed home inspection report, Rural Development can review the report to determine if any repairs will be needed to meet RD minimum property standards. **THE INSPECTION COMPLETED WITH THE URAR 1004 APPRAISAL OR A STATE LICENSED HOME INSPECTION SUBMITTED BY THE CLIENT WILL BE REVIEWED FOR RURAL DEVELOPMENT PROPERTY STANDARDS ONLY.**

Owning a home has many hidden costs: furniture, paint, decorating, minor repairs, etc. So a **MAJOR** repair could cost some homeowners dearly. Rural Development may be able to include the cost of many repairs into the loan.



Appraisal Guide Updated: January 2006

The URAR: FNMA Form1004/ FHLMC Form 70

The revised form **must include a cost approach if the property is less than one year old** and 3 comparable sales. The new revision excludes information on manufactured homes and condominiums.

The Manufactured Home Appraisal Report

FNMA Form 1004C/FHLMC Form 70B has been combined into one appraisal report for use only on NEW manufactured homes. Rural Development guarantees only NEW manufactured homes **built by an approved dealer-contractor.**

The Individual Condominium Unit Appraisal Report

FNMA Form 1073/FHLMC Form 465 has been revised; this property type is no longer indicated on the URAR. The revised form excludes exterior inspections. Appraisals with interior inspections for condominiums should be completed on this form. **Again, a cost approach is NOT optional for properties less than one year old.**

The Appraisal Update and/Or Completion Report

FNMA Form 1004D/FHLMC Form 442 has been revised. It now includes sections for property information, summary appraisal update, certification of completion, and signatures. This form should also include photographs when applicable.

The following appraisal forms are NOT accepted by Rural Development for loan originations:

The Exterior-Only Inspection Individual Condominium Unit Appraisal Report (New FNMA Form 1075/FHLMC Form 466)

The Exterior-Only Inspection Residential Appraisal Report (New FNMA Form 2055/FHLMC Form 2055)

The Desktop Underwriter Quantitative Analysis Appraisal Report (Old FNMA Form 2055)

Loan Prospector Quantitative Analysis Report (Old FHLMC Form 2055)

"Change is the law of life, and those who look only to the past or the present are certain to miss the future"

John F. Kennedy



100% Guaranteed Rural Development financing: Your pot of gold at the end of the rainbow!

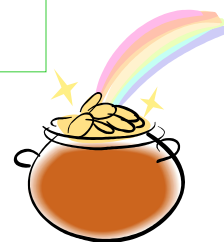
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Purchase Price: \$230,000

Estimates: Taxes \$4,600 annually Homeowner's insurance \$960 annually

Go 100% on a \$230,000 purchase???
RD must be crazy!like a fox!



100% Guaranteed Financing

\$230,000 Purchase price

+ \$4,694 Guarantee fee

\$234,694 Loan Amount 6.5% rate NO PMI

TOTAL PAYMENT: \$1,946

- The single largest hurdle to first time or move-up homeownership is DOWNPAYMENT!
- 42% of homebuyers use 100% financing*
- Average downpayment in America is 2%*
- Clients can always pre-pay their mortgage, pay additional principle, or make lump sum payments to increase equity.

RURAL DEVELOPMENT ACCEPTS DOWNPAYMENTS TOO!

Put 10% down with RD!

\$230,000 Purchase

- \$23,000 10% downpayment

+ \$4224 Guarantee fee

\$211,224 Loan Amount 6.5% rate NO PMI

TOTAL PAYMENT: \$1,798

**\$4,224 Guarantee fee is recouped in 2.66
years vs. PMI.**

10% DOWN CONVENTIONAL

\$230,000 Purchase Price

- \$23,000 10% downpayment

\$207,000 loan amount 6.5% rate + PMI

TOTAL PAYMENT: \$1,903

Yes it is \$43 a month or \$516 a year cheaper

BUT

- How many people have \$23,000 downpayment?
- Do they have any debts they could pay off with their "downpayment" money to increase more cash flow throughout the month?
- Are they contributing to their retirement fund?
- Do they have college plans for their children?
- Do they have other diversified investment or saving accounts?

GO 80-10-10 YOU SAY?

80% 1st mtg: \$184,000 6.5% 30 years NO PMI

10% 2nd mtg: \$23,000 7.5% (rate is usually higher)

10% downpayment: \$23,000

TOTAL PAYMENT: \$1,811

- Borrower now has two payments
- 2nd mtg. is sometimes tied to variable rate
- MUCH HIGHER credit score requirements for this type of loan

**Guaranteed financing can
assist homebuyers in all price
ranges!**





Committed to the future of rural communities.

We're on the web:

www.rurdev.usda.gov/il/grh.htm



Charleston Local Office has moved!

6021 Development Drive, Suite 3

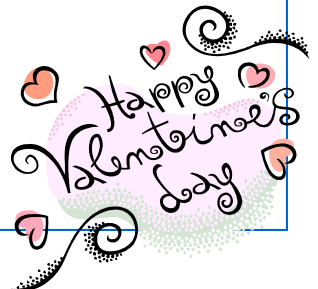
Charleston, IL 61920

Office: 217-345-3901 ext. 4

Fax: 217-345-9669

Proudly serving: Clark, Coles, Cumberland, Montgomery, Moultrie, & Shelby counties

- Kevin Mellendorf, Rural Development Manager
- Kananur Ravi, Rural Development Specialist
- Caryl Strader, Rural Development Technician
- Sheila Maxey, Rural Development Assistant



To locate the Rural Development office near you contact:

Kristina Zehr 217-403-6224 Office or kristina.zehr@il.usda.gov

Guarantee financing can't be beat!

- *No downpayment *No mortgage insurance *No maximum purchase price *Flexible credit
*No asset limits *Funding is always available *NOT just for first time buyers**